DEFENSE CONTRACT AUDIT AGENCY

Requesting DCAA Services and Interpreting DCAA Reports

Presented by DCAA Liaison

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DEFENSE CONTRACT AUDIT AGENCY

- **Established in 1965**
- **Separate Agency of the Department of Defense**
- **Reports to DoD Controller**
- **Provide all necessary contract audit for DoD**
- **Provide accounting and financial advisory services for DoD**

DEFENSE CONTRACT AUDIT AGENCY

- **Agency staffing of approximately 4,000 World-wide**
- **Professional Auditors comprise 83% of staff**
- **Regulatory reference to audit or audit usually means DCAA**
- **Work closely with DCMA**
- **Product is Report or Memorandum**

DEFENSE CONTRACT AUDIT AGENCY

- AUDIT STAFF LOCATIONS
  - RESIDENT OFFICES AT MOST MAJOR (Large) CONTRACTOR SITES
  - MOBILE OFFICES AT GEOGRAPHICALLY CLUSTERED MINOR CONTRACTORS
  - ON SITE AT MAJOR PROCUREMENT COMMANDS

DEFENSE CONTRACT AUDIT AGENCY

WHAT DOES DCAA DO?

DCAA SERVICES

- **Preaward Contract Audit Services**
  - **Price Proposals**
  - **Preaward Surveys (System status)**
  - **Forward Pricing Labor & Overhead Rates**
  - **Financial Capability**
- **Postaward Contract Audit Services**
  - **Incurred Costs/Annual Overhead Rates/Close-out assistance**
  - **Truth in Negotiation Act Compliance**
  - **Claims (Termination/REA/Disputes)**
  - **Cost Accounting Standards (CAS)**

DCAA SERVICES (Cont'

- **Proposal Audits**

  DCAA audits usually take 30 calendar days.

  - **Complete Proposal (21000)**
  - **Part of Proposal (27000)**
  - **Cost Realism (28000)**
  - **Agreed Upon Procedures (28000)**
  - **Integrated Product Team (IPT) (22000)**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Complete Proposal (21000)**
  - **Examination of an entire proposal**
  - **Report provides an unqualified audit opinion on proposal as a whole**
  - **Adequate**
    - **No instances of FAR/CAS Noncompliance**
    - **Insignificant Instances of FAR/CAS Noncompliance**
    - **Significant Instances of FAR/CAS Noncompliance**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Complete Proposal (21000)**
  - **Examination of an entire proposal**
  - **Report provides a qualified audit opinion on proposal as a whole**
  - **Inadequate in part (describe what is inadequate)**
    - **No instances of FAR/CAS Noncompliance**
    - **Insignificant Instances of FAR/CAS Noncompliance**
    - **Significant Instances of FAR/CAS Noncompliance**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Complete Proposal (21000)**
    - **Examination of an entire proposal**
    - **Report provides an adverse audit opinion on proposal as a whole**
      - **Adverse opinion= not acceptable for negotiations until defect is corrected. Suggest if you receive one of these call your on-site rep immediately. Depending on circumstances we may still be able to get some info and not stop procurement. Also the DCAA office should have already talked to PCO.**
  - **Not Adequate Contractor's Fault (describe what the contractor should do to make it adequate)**
    - **No instances of FAR/CAS Noncompliance**
    - **Insignificant Instances of FAR/CAS Noncompliance**
    - **Significant Instances of FAR/CAS Noncompliance**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Complete Proposal (21000)**
  - **Examination of an entire proposal**
  - **Report provides a disclaimer of audit opinion or NO audit opinion is provided on proposal as a whole**
    - **This is a rare case. Usually these situations can be worked out and we never get here. However these situations will drag out the time. Again if the DCAA office you are working with- talks about access problems or severe problems with the proposal- contact your on-site rep ASAP**
  - **Not Adequate and Access to Data Denied**
    - **No instances of FAR/CAS Noncompliance**
    - **Insignificant Instances of FAR/CAS Noncompliance**
    - **Significant Instances of FAR/CAS Noncompliance**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Part of Proposal (27000)**
  - **Examination only part of a proposal**
  - **Report provides an audit opinion only on the part of the proposal examined and NOT proposal as a whole**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Cost Realism (28000)**
  - **Evaluation to determine potential cost under statement**
  - **Evaluate information other than cost or pricing data of a proposal**
  - **Report provides a disclaimer of audit opinion or NO audit opinion is provided on proposal as a whole**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Agreed Upon Procedures (28000)**
  - **Performance of specific procedures agreed upon in advance with the customer**
  - **Evaluate information other than cost or pricing data of a proposal**
  - **Report provides a disclaimer of audit opinion or NO audit opinion is provided on proposal as a whole**

DCAA SERVICES (Cont'

- **Proposal and Field Pricing Audit Reports**
  - **Integrated Product Team (IPT) (22000)**
  - **Participating on a formally chartered IPT as agreed upon in advance with the customer**
  - **Evaluate information other than cost or pricing data of a proposal**
  - **Report provides a statement based on services performed**

DCAA SERVICES (Cont'

- **Proposal Audits**
  - **Complete Proposal (21000)**
  - **Part of Proposal (27000)**
  - **Cost Realism (28000)**
  - **Agreed Upon Procedures (28000)**
  - **Integrated Product Team (IPT) (22000)**

DCAA SERVICES (Cont'

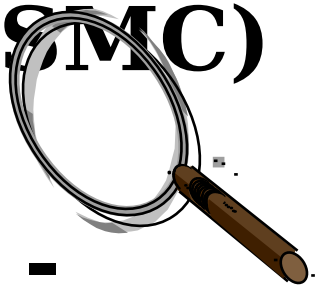
- **Contractor Internal Control System Audits**
  - **Accounting**
  - **EDP (Electronic Data Processing)**
  - **Estimating**
  - **Compensation**
  - **Billing**
  - **Budgeting**
  - **Material Management**
  - **Labor**
  - **Purchasing**
  - **Indirect and Other Direct Cost**

DCAA SERVICES (Cont'

- **Information included in the report about the contractor's organization and systems**
  - **Audit report provides background organization and systems information, which impacts the scope and the results of the audit.**
    - **The "Organization" paragraph include sales information, major products and services, percentage of government business etc.**
    - **The systems paragraph usually describes contractor's accounting and estimating internal controls.**

DCAA SERVICES (Cont'

- **Negotiation Assistance**
  - **Factfinding and analysis of contractor information after audit**
  - **Financial Liaison Assistance -FLA (the DCAA folks at SMC)**
  - **DCAA's Homepage – www.dcaa.mil**



SERVICES FROM ON-SITE DCAA

- COST ANALYSIS
- ANALYSIS OF OTHER THAN COST OR PRICING DATA
- COMMERCIAL PRICING
- MARKET RESEARCH
- IPT ACTIVITIES
- SOURCE EVALUATION BOARDS
  - CONTRACTOR SYSTEM STATUS
  - FINANCIAL HEALTH
  - HISTORICAL INFORMATION

SERVICES FROM ON-SITE DCAA

- EXPEDITING AUDITS
- INTERPRETING REPORTS
- TRAINING FOR IPTs, WORKING GROUPS, ETC.
- ATTENDING MEETINGS & NEGOTIATIONS
- COORDINATING ACCESS TO RECORDS PROBLEMS

SERVICES FROM ON-SITE DCAA

- FACILITATING EFFECTIVE COMMUNICATION & COORDINATION
- PROVIDING ON THE SPOT ADVICE ON AUDIT AND ACCOUNTING MATTERS
  - INCLUDING COST ACCOUNTING STD ISSUES
- RELAYING DCAA POLICY
- PROVIDING RATE RECOMMENDATIONS AND OTHER PRICING SUPPORT

Helpful Hints

- **Advance Coordination with DCAA On-Site Rep (s)**
- **Allow Enough Time for Service**
- **Avoid Jargon, Confusing Language & Terms**
- **Contact DCAA On-Site Rep for Explanations & Interpretations**

SMC ON-SITE SUPPORT

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